SPECIAL REPORT BY THE PROVINCIAL AUDITOR SASKATCHEWAN

APRIL 21, 1992

TO THE STANDING COMMITTEE
ON PUBLIC ACCOUNTS

Provincial Auditor Saskatchewan

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April 21, 1992

Ms. G. Ronyk
Clerk of the Legislative Assembly
Room 239, Legislative Building
REGINA, Saskatchewan
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Dear Ms. Ronyk:

I submit my Special Report for the Standing Committee on Public Accounts. This Special Report was requested by a Motion of the Committee on January 10, 1992.

This Special Report is issued in accordance with Section 16(3) of *The Provincial Auditor Act*.

Yours truly,

W. K. Strelioff, C.A.
Provincial Auditor

/djc

92-06137/

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Chapter 1
Introduction

Background

On January 7th and 8th, 1992, the Standing Committee on Public Accounts heard testimony by Government officials. The officials testified about the administration practices at Saskatchewan Property Management Corporation and Saskatchewan Liquor Board. The officials testified that their organizations:

- made payments to employees not working for them;
- made payments to advertising agencies for goods and services not received;
- provided goods and services to ministers of the Crown without charge; and
- provided goods and services to other Government organizations without charge.

On January 10, 1992, the Committee passed a Motion (see Appendix I) requesting that the Provincial Auditor review all Government organizations for the fiscal years ended March 31, 1990 and 1991 and report all observed instances of the above practices. The Motion also requests the Provincial Auditor's comments on these matters and accordingly we include our recommendations.

We agreed to do this special assignment and to report our findings and recommendations to the Clerk of the Legislative Assembly by April 30, 1992.

Objective of Special Assignment

The objective of the special assignment is to identify the extent of the reported practices and to provide our comments as recommendations.

We did not view this special assignment as an investigation. An investigation requires a detailed examination of each Government organization to find all instances of the practices to be reported. This would be extremely expensive. Also, an investigation, no matter how detailed, may not find all instances that occurred.

We decided the most efficient and effective way to complete this special assignment was to ask each Government organization to report all instances of these practices to us. We verified the information reported by inquiry, observation and discussion. Accordingly, this special assignment is a review, not an investigation.

As stated, the results of our review may not be complete. However, we believe our findings are sufficient to support our conclusions and recommendations.

Secondments

The Government has approximately 35,000 employees. It is important the Government use these resources effectively.

Secondments are arrangements by which employees work for other organizations. Short and long-term secondments can be an effective means to maximize the use of employees. For example, short-term secondments may be used to meet temporary human resource requirements. Longer secondments may be used to develop and train employees.

When there is a secondment, the organization receiving the benefit reimburses the employer organization for the employee's services. The reimbursement may be for all or part of the employee's expenses. For example, when employees work at other organizations for the purpose of training and development, their employers may not receive full reimbursement. But, it is important that the reimbursement reflects the substance of the arrangement and is adequately documented.

Our review specifically excludes secondments. Secondments, if properly arranged and documented, are an effective use of employees and do not result in budget, control and reporting problems within the Government.

Review Not Complete

We could not do our review at Westbridge Computer Corporation.

Information System Management Corporation (ISM), formerly Westbridge Computer Corporation, did not provide the requested information. ISM stated they could not provide "confidential information" to us. ISM's concern was that they are a publicly traded company and are answerable only to their shareholders. Those shareholders are entitled to receive consistent, timely and equal disclosure.

For the years under review, the Government of Saskatchewan owned more than 50% of the outstanding shares of Westbridge. Therefore, Westbridge was a "Crown-controlled corporation" as defined by *The Provincial Auditor Act*. As such, it was subject to audit by the Provincial Auditor. The Act requires the Provincial Auditor to report to the Legislative Assembly regarding corporations controlled by the Government of Saskatchewan.

Acknowledgement

Our Office would like to acknowledge the cooperation and the insights provided by the officials of the organizations contacted during our review. Without their assistance, our review could not have been completed.

Chapter 2
Summary of Results and Recommendations

For the review, we made inquiries of 107 Government organizations. Our findings for the fiscal years ending March 31, 1990 and 1991, and our recommendations follow.

Section 1 — Payments to employees not working for employer organizations

Results

Organizations reported there were 130 employees who, for extended periods of time, did not work for the organizations paying their salaries.

Payments to these employees totalled approximately $5,166,000 in the two years under review.

Recommendations

Employees

1-1 We recommend ministers ensure employees do not provide services to others, except by secondment.

1-2 We recommend ministers ensure organizations properly document all arrangements to provide employees to others (secondments). We recommend the documentation include the amount of reimbursement to be paid by the organization receiving the employee's services. If the reimbursements do not cover all the employee's expenses, we recommend the amount of reimbursement reflect the substance of the arrangement. We also recommend organizations document the reasons for less than full reimbursement.

Ministerial Assistants

1-3 We recommend ministers not hire ministerial assistants through corporations.

1-4 We recommend ministers ensure ministerial assistants' contracts show the appropriation to be charged as required by the Regulations.

1-5 We recommend ministers require their ministerial assistants to work for the Executive Government only. The Executive Government does not include a constituency or caucus office maintained by a member or his political party. We recommend ministerial assistants' contracts include this restriction.

1-6 We recommend ministers certify monthly time reports for their ministerial assistants. We recommend these monthly time reports show attendance and the Executive Government activity undertaken to support the payroll payments.

Section 2 — Payments to advertising agencies for goods/services not received

Results

Nine organizations reported that they made payments to advertising agencies for goods/services not received.

These payments totalled approximately $439,000 in the two years under review.

Recommendations

2-1 We recommend ministers ensure that organizations do not pay for advertising goods/services not received.

2-2 We recommend each payment voucher for advertising goods/services include sufficient documentation to support the payment, i.e., the payment is for the lawful purpose of the organization, the goods/services have been received and the amount paid agrees to the contract or is reasonable as required by statute.

Section 3 — Goods/services provided without charge to ministers

Results

Five organizations reported that they provided goods/services without charge to ministers and others.

The value of the goods/services totalled approximately $42,000 in the two years under review.

Recommendations

3-1 We recommend the Office of the Executive Council be responsible for ministers' salaries, travel and other expenses.

3-2 We recommend ministers not accept goods/services without charge.

3-3 We recommend the Office of the Executive Council provide all furniture and equipment, support services, ministerial assistants and any other goods/services required for the operation of ministers' offices.

3-4 We recommend the Public Accounts identify ministers' salaries, travel and other expenses by minister.

3-5 We recommend the Office of the Executive Council record all furniture and equipment for ministers' offices. We also recommend the Office account for the furniture and equipment when there are ministerial changes.

Section 4 — Goods/services provided without charge to other Government organizations

Results

Eight Government organizations reported that they provided goods/services without charge to other Government organizations.

The value of the goods/services totalled approximately $1,755,000 for the two years under review.

Recommendations

4-1 We recommend organizations have clear legislated mandates to ensure they know the goods/services that may be provided to others without charge and the goods/services that must be billed.

4-2 We recommend organizations have properly authorized contracts before providing goods/services to others.

4-3 We recommend organizations charge for all significant goods/services provided to others when required by their mandates.

Section 5 — Other findings

Results

Government organizations have many different policies regarding entertainment, employee recognition, advertising and donations.

Recommendations

5-1 We recommend the Government establish consistent policies for entertainment, employee recognition, advertising and donations for all organizations.

5-2 We recommend the Government make the policies public.

Chapter 3
The Review

Foreword

On January 27, 1992, we sent inquiries to 107 Government organizations (see Appendix II). We requested information about the following practices for the fiscal years ended March 31, 1990 and 1991:

- payments made to employees not working for their organizations;
- payments made to advertising agencies for goods/services not received;
- goods/services provided without charge to ministers; and
- goods/services provided without charge to other Government organizations (see Appendix III).

Most organizations were very cooperative and returned the required information by February 14, 1992. Others were unable to meet the date requested; we received the last return on March 23, 1992. All organizations, except Westbridge Computer Corporation, provided the requested information.

After reviewing the returns, we verified the information by inquiry, observation and discussion. Our staff contacted each organization that reported practices subject to the review, met with officials and examined documents, when required.

We grouped the results of the review and our recommendations according to the practices subject to our review.

Government Organizations

For our report, Government organizations include Government departments, Crown corporations, boards, agencies, commissions and Crown-controlled corporations.

Departments are established either by statute or by the Executive Council. They are not bodies corporate. Departments have the following characteristics:

- Departments are responsible to a minister.
- The duties and powers of departments are defined by statute.
- A deputy minister or other head appointed by the Government manages the affairs and business of a department.
- Monies may be appropriated (provided) for departments in an *Appropriation Act*.
- Departments can spend monies only for the objects and purposes authorized.
- Departments are subject to audit under *The Provincial Auditor Act*.

Crown corporations are agents of the Crown. They are bodies corporate. For this report corporations include Crown corporations, boards, agencies, commissions and Crown-controlled corporations. Corporations have the following characteristics:

- Corporations are responsible to a minister.
- The duties and powers of corporations are defined by statute.
- Boards of directors, nominated or appointed by the Government, manage the affairs and business of the corporations.
- Monies may be appropriated for corporations in an *Appropriation Act*.
- Corporations can spend monies only for the objects and purposes authorized.
- Corporations are subject to audit under *The Provincial Auditor Act*.

While there are different types of organizations, their characteristics are similar. Therefore, in making our recommendations we have not distinguished between the different types of Government organizations.

Section 1 — Payments to employees not working for employer organizations

Estimates

The Financial Administration Act, except where specifically directed otherwise, requires all public money be paid into the Consolidated Fund. All nonrenewable resource revenues and other specified revenues are paid into the Saskatchewan Heritage Fund.

The law allows corporations and some departments to raise revenues that either are not payable into the Consolidated and Heritage Funds or are not subject to appropriation. The Estimates do not include these revenues and related expenditures. To this extent, the Estimates are not complete.

The Legislature approves the Government's spending from the Consolidated and Heritage Funds. The law (an *Appropriation Act*) that provides these monies to the Government is based on the Estimates.

The Minister of Finance prepares the Estimates. They show, in part, the expected expenditures from the Consolidated and Heritage Funds for the upcoming year.

The Estimates present information on the expected use of employees in the form of "person year equivalents" (one employee for twelve months equals one person year). For example, the 1990-91 Estimates for Executive Council show Item 1 - Administration - Personal Services - $1,404,200 - 32.0 person years.

It is important that the Estimates are accurate. Accurate Estimates allow the Legislative Assembly and the public the opportunity to assess and understand the Government's fiscal plan. The Estimates are also used to analyze the Government's actual spending as reported in the Public Accounts.

Employees and Ministerial Assistants

The Government Organization Act provides that the staff of a department has a deputy minister or other head appointed by the Government and any other employees required for the proper conduct of business of the department. The staff's duties and functions are those prescribed by statute and assigned to them by the minister who presides over the department.

The Ministerial Assistant Employment Regulations allows ministers to appoint ministerial assistants with the approval of the President of the Executive Council (Premier). The appointments must be in writing and specify the appropriation to which salaries, allowances and expenses are to be charged. The ministerial assistants are directly responsible to the minister who appoints them, or his successor.

Corporations may hire employees required for the conduct of their business. They decide the employees' duties and powers, conditions of employment and remuneration.

Review Results for March 31, 1990 and 1991

Ministerial Assistants

The following corporations reported that they hired 32 people at a cost of $1,198,489 to work at the offices of the ministers responsible for the corporations. These ministerial assistants were not hired according to *The Ministerial Assistant Employment Regulations*.

Generally, the law allows corporations to hire employees for the conduct of their business. But, Treasury Board's policies say ministerial assistants are not employees. Therefore, there is no authority for corporations to hire ministerial assistants.

Also, corporations did not know the services these employees provided for the corporations. Therefore, payments to these employees are not properly supported. Accordingly, we are unable to determine if these expenditures are properly authorized by the Legislature.

Agriculture Credit Corporation of Saskatchewan
- 4 people costing $28,414

Crown Investments Corporation of Saskatchewan
- 4 people costing $327,934

Saskatchewan Government Insurance
- 4 people costing $128,343

Saskatchewan Liquor Board
- 4 people costing $102,347

Saskatchewan Power Corporation
- 7 people costing $182,236

Saskatchewan Telecommunications
- 3 people costing $90,339

Saskatchewan Water Corporation
- 3 people costing $200,647

Saskatchewan Energy Holdings Ltd.
- 2 people costing $95,210

Saskatchewan Transportation Company
- 1 person costing $43,019

Employees

The following organizations reported that they made payments of $3,364,176 to 79 employees not working for their organizations. Therefore, payments to these employees are not properly supported. Also, these expenditures are not for the purposes intended by the Legislature.

Crown Investments Corporation of Saskatchewan
- 1 person costing $113,980

Department of Agriculture and Food
- 9 people costing $537,888

Department of Community Services
- 2 people costing $28,626

Department of Consumer and Corporate Affairs
- 1 person costing $82,597

Department of Economic Development and Trade
- 5 people costing $136,624

Department of Education
- 3 people costing $69,767

Department of Energy and Mines
- 1 person costing $37,008

Department of Finance
- 2 people costing $63,915

Department of Highways and Transportation
- 6 people costing $186,531

Department of Human Resources, Labour and Employment
- 4 people costing $226,064

Department of Justice
- 1 person costing $68,500
Department of Parks
- 3 people costing $52,053
Department of Rural Development
- 2 people costing $56,830
Department of Social Services
- 9 people costing $461,871
Family Foundation
- 1 person costing $17,487
Provincial Secretary
- 8 people costing $91,109
Saskatchewan Government Insurance
- 4 people costing $186,515
Saskatchewan Housing Corporation
- 2 people costing $29,234
Saskatchewan Liquor Board
- 2 people costing $60,551
Saskatchewan Property Management Corporation
- 9 people costing $629,911
Saskatchewan Power Corporation
- 1 person costing $36,600
Student Aid Fund
- 1 person costing $11,443
Saskatchewan Transportation Company
- 1 person costing $114,481
Saskatchewan Workers' Compensation Board
- 1 person costing $64,591

While the organizations listed above incurred costs of $3,364,176 for the 79 employees, the following organizations received, at no direct cost, the services of the 79 employees:

Office of the Executive Council
- 49 people costing $1,885,468
Provincial Secretary
- 4 people costing $422,707
Department of Urban Affairs (Consensus Saskatchewan)
- 8 people costing $276,744
Future Corporation
- 3 people costing $258,205
United Way
- 3 people costing $23,508
Family Foundation
- 2 people costing $162,411
Saskatchewan Wetland Conservation Corporation
- 2 people costing $34,428
Various other Government organizations
- 8 people costing $300,705

The following organizations reported that they made payments of $603,416 to 19 employees not working for their organizations. The organizations were unable to determine who received the

services of these employees. Therefore, these payments are not properly supported. Accordingly, we are unable to determine if these expenditures are for the purposes intended by the Legislature.

Department of Environment and Public Safety
- 1 person costing $3,468

Department of Health
- 1 person costing $99,702

Department of Highways and Transportation
- 4 people costing $38,450

Department of Justice
- 1 person costing $63,602

Department of Social Services
- 1 person costing $42,810

Saskatchewan Crop Insurance Corporation
- 1 person costing $25,789

Saskatchewan Forest Products Corporation
- 2 person costing $75,285

Saskatchewan Government Insurance
- 1 person costing $7,509

Saskatchewan Indian and Metis Affairs Secretariat
- 1 person costing $40,405

Saskatchewan Liquor Board
- 5 people costing $138,518

Saskatchewan Property Management Corporation
- 1 person costing $67,878

Conclusions

We have the following concerns when payments are made to employees not working for employer organizations.

The Estimates are inaccurate. As described earlier, the Estimates do not include the spending of all Government organizations. But, for the organizations included, the Estimates are misstated for the organizations providing the employees as well as for the organizations receiving the services.

If the Estimates are prepared with this knowledge and the effect is significant, the Estimates are misleading. The Legislative Assembly and the public would not have the opportunity to assess and understand the Government's proposed fiscal plan. Significance is determined by the dollar value and the sensitivity of the inaccuracies in the Estimates.

The organizations spend money for purposes not authorized. The organizations' duties and powers are defined by statute. They can spend money only for those purposes. When employees are directed to provide services for other organizations, those expenditures are not for the purposes intended by the Legislature.

The organizations' internal control systems are violated. When employees are directed to provide services for others, those payroll payments are not properly documented. The organizations do not know how much of the employees' services were provided to others. Accordingly, the organizations are required to make payments that are not properly supported.

The organizations' financial statements are inaccurate. The reported expenditures may not reflect the actual expenditures to conduct the organizations' business. The Legislative Assembly and the public are misled if the inaccuracies are significant. Significance is determined by the dollar value and the sensitivity of the information inaccurately reported.

The Public Accounts are inaccurate. For those organizations included in the Public Accounts, their reported expenditures do not reflect the actual expenditures on programs. The Public Accounts are misstated for the organizations providing the employees as well as for the organizations receiving the employees' services. The Legislative Assembly and the public are misled if the inaccuracies are significant. Significance is determined by the dollar value and the sensitivity of the information inaccurately reported.

Recommendations

Employees

1-1 We recommend ministers ensure employees do not provide services to others, except by secondment.

1-2 We recommend ministers ensure organizations properly document all arrangements to provide employees to others (secondments). We recommend the documentation include the amount of reimbursement to be paid by the organization receiving the employee's services. If the reimbursements do not cover all the employee's expenses, we recommend the amount of reimbursement reflect the substance of the arrangement. We also recommend organizations document the reasons for less than full reimbursement.

Ministerial Assistants

1-3 We recommend ministers not hire ministerial assistants through corporations.

1-4 We recommend ministers ensure ministerial assistants' contracts show the appropriation to be charged as required by the Regulations.

1-5 We recommend ministers require their ministerial assistants to work for the Executive Government only. The Executive Government does not include a constituency or caucus office maintained by a member or his political party. We recommend ministerial assistants' contracts include this restriction.

1-6 We recommend ministers certify monthly time reports for their ministerial assistants. We recommend these monthly time reports show attendance and the Executive Government activity undertaken to support all payroll payments.

Section 2

Payments to advertising agencies for goods/services not received

The Financial Administration Act provides the statutory mechanism for organizations to spend money from appropriations. No public money can be paid from an appropriation without a requisition and a certificate, when applicable.

Everyone who makes a requisition must certify the lawfulness, propriety and accuracy of the proposed payment and the allocation of charges related to the payment. When required, no payment can be made from an appropriation unless a certificate is given by the minister or other authorized official that:

- the work has been performed, the goods have been supplied or the services have been rendered; and
- the price charged agrees to the contract or, where not specified in a contract, is reasonable.

For organizations that do not spend appropriations, their purposes and functions are prescribed. They can spend money only for those authorized purposes.

The organizations' systems of internal control reflect these requirements. The systems require that payments are only for the lawful purposes and functions of the organization and are only for goods/services received. The amount paid must agree to a contract or be reasonable.

For departments, advertising expenditures must also have the prior approval of the Director of Communications, Office of the Executive Council. Also, all advertising invoices submitted for payment must be accompanied by an approved Advertising Funding and Approval Form (Form-85) signed by the Director of Communications, Office of the Executive Council.

Review Results for March 31, 1990 and 1991

Generally, the advertising expenditures reported below were initiated and approved for payment by the Office of the Executive Council. In these cases, the organizations that made the payments were unable to determine that the specific services were received by their organizations. Accordingly, these payments are not properly supported and we are unable to determine that these expenditures are for the purposes authorized by the Legislature.

Department of Community Services, payments totalled $9,314.
- Dome Advertising Ltd. -- $4,011
- Dome Media Buying Services Ltd. -- $5,303

Department of Education, payments totalled $24,721
- Roberts & Poole Communications Ltd. -- $24,721

Department of Energy and Mines, payments totalled $2,441.
- Dome Advertising Ltd. -- $2,441

Department of Health, payments totalled $15,085
- Roberts & Poole Communications Ltd. -- $11,202
- Dome Advertising Ltd. -- $1,035
- Dome Media Buying Services Ltd. -- $2,848

Department of Human Resources, Labour and Employment, payments totalled $9,986.
- Dome Advertising Ltd. -- $1,739
- Dome Media Buying Services Ltd. -- $8,247

Department of Rural Development, payments totalled $4,984.
- Dome Media Buying Services Ltd. -- $4,984

Provincial Secretary, payments totalled $206,600.
- Roberts & Poole Communications Ltd. -- $51,000
- Dome Advertising Ltd. -- $19,393
- Smail Communications -- $26,000
- Communigrafx Inc. -- $36,874
- Capital Communications -- $48,353
- Strategy West Public Relations -- $24,980

Public Service Commission (PSC), payments totalled $3,180.
- Dome Advertising Ltd. -- $3,180
- In addition, there were printing costs paid to Roberts & Poole Communications Ltd. and Dome Advertising Ltd. totalling $7,813. Part of these costs were for intangible services which PSC felt were excessive.

Saskatchewan Property Management Corporation, payments totalled $162,942.
- Dome Advertising Ltd. -- $71,750
- Roberts & Poole Communications Ltd. -- $71,750
- Dome Media Buying Services Ltd. -- $19,442

Conclusions

We have the following concerns when organizations are required to pay for advertising goods/services not received.

The organizations spend money for purposes not authorized. The organizations' duties and powers are prescribed by statute. They can spend money only for those purposes. When organizations are directed to pay for advertising goods/services not received, those expenditures are not for the purposes intended by the Legislature.

The organizations' internal control systems are violated. When organizations are directed to pay for advertising goods/services not received, those payments are not properly supported.

The organizations' financial statements are inaccurate. The reported expenditures do not reflect the actual expenditures on the organizations' business. The Legislative Assembly and the public are misled if the inaccuracies are significant. Significance is determined by the dollar value and the sensitivity of the information inaccurately reported.

The Public Accounts are inaccurate. For those organizations included in the Public Accounts, the reported expenditures do not reflect the actual expenditures on the programs. The Public Accounts are misstated for the organizations receiving the services as well as for the organizations making the payments. The Legislative Assembly and the public are misled if the inaccuracies are significant. Significance is determined by the dollar value and the sensitivity of the information inaccurately reported.

Recommendations

2-1 We recommend ministers ensure that organizations do not pay for advertising goods/services not received.

2-2 We recommend each payment voucher for advertising goods/services include sufficient documentation to support the payment, i.e., the payment is for the lawful purpose of the organization, the goods/services have been received and the amount paid agrees to the contract or is reasonable as required by statute.

Section 3

Goods/services provided without charge to ministers

The Legislative Assembly and Executive Council Act prescribes the indemnities (salaries) and allowances payable to all Members of the Assembly. The amounts paid for March 31, 1990 and 1991

are disclosed in the Public Accounts - Details of Revenue and Expenditure in Vote 21 - Legislation.

The Government Organization Act and *The Members of the Executive Council Expense Regulations, 1988* prescribe the salaries, travelling and other expenses payable to the Premier and other ministers. The ministers' salaries are disclosed in the Public Accounts - Details of Revenue and Expenditure in applicable department's Votes.

The ministers' travelling and other expenses are allocated between departments and corporations, according to the duties performed. These amounts are included in the appropriate department's Votes or corporation's financial statements as the case may be. Generally, ministers' travelling and other expenses are not identified by individual minister.

The amounts prescribed are the only amounts that may be paid to ministers. In addition, departments and corporations pay for the expenses related to ministers' offices. These expenses include furniture, equipment, support services and ministerial assistants. There is no authority for corporations to pay for the expenses of ministers' offices.

Review Results for March 31, 1990 and 1991

The Department of Highways and Transportation did not have adequate systems and procedures to safeguard its assets. Although the Department had a list of office equipment provided to its ministers, the Department reported that it did not ensure all its equipment was accounted for when the ministers were changed. Accordingly, we are unable to determine if there has been a loss to the Crown.

The Saskatchewan Centre of the Arts (Centre) reported that it allowed three ministers the use of a private viewing suite containing four seats for performances. The Centre reported that the private viewing suite was used a total of 17 times by the three ministers. Because of its location, the Centre indicated that tickets for these seats are not sold to the general public. Therefore, we are unable to determine the value of tickets for these seats. Accordingly, we are unable to determine if the Centre failed to collect revenues due to the Crown.

Saskatchewan Government Insurance reported that it paid taxi fares of $682 for various ministers and their staff. SGI reported that a charge account for taxi services was available at the Legislative Building for use by various ministers and their staff. SGI did not have adequate documentation to determine that these costs related to SGI's business. Therefore, these payments are not adequately supported and we are unable to determine if these expenditures are for the purposes intended by the Legislature.

The Saskatchewan Liquor Board reported that it paid expenses totalling $16,162 for ministers to attend Big Valley Jamborees. The expenses included passes to the grounds, food, trailer rental, alcohol and miscellaneous expenses. The Liquor Board reported that the ministers hosted people in the tourist industry and others. Although these expenses were approved by Liquor Board officials, the legislated mandate of the Liquor Board does not include promotion of Saskatchewan's tourist industry. Accordingly, these expenditures were not for the purpose intended by the Legislature. Also, providing alcohol at these events may contravene *The Alcohol Control Act*.

The Liquor Board did not have adequate systems and procedures to safeguard its assets. The Liquor Board reported approximately $19,285 of liquor was supplied to ministers' offices. The Liquor Board had no written requests from the ministers or their assistants for this liquor. A Liquor Board official signed memos or store transfers to have the liquor either sent to ministers' offices or released into his custody. The Liquor Board does not have policies that authorize ministers and officials to take liquor for their own use. Accordingly, there was a loss to the Crown in the amount of $19,285. Also, allowing these people to take alcohol they have not purchased may contravene *The Alcohol Control Act*.

SaskTel reported it paid $6,172 for season tickets to the Saskatchewan Roughriders and for memberships and expenses at the Green and White Lounge for the minister. Although these expenditures were approved by SaskTel officials, SaskTel had no documentation of their purpose. Accordingly, we are unable to determine if these expenditures are for the purpose intended by the Legislature.

SaskTel reported that it provided cellular phones to two ministers without charge. SaskTel told us they considered the use of the phones to be an advertising expense. Accordingly, there was no loss of revenue to the Crown.

Conclusions

We are concerned when goods/services are provided without charge to ministers.

The integrity of ministers may be questioned. Ministers may be subject to criticism if they accept goods/services that generally may not be perceived to be directly related to the operation of their offices. This criticism may or may not be valid. However, it leads to an increased level of cynicism about government and a loss of confidence in government and public institutions.

Recommendations

3-1 We recommend the Office of the Executive Council be responsible for ministers' salaries, travel and other expenses.

3-2 We recommend ministers not accept goods/services without charge.

3-3 We recommend the Office of the Executive Council provide all furniture and equipment, support services, ministerial assistants and any other goods/services required for the operation of ministers' offices.

3-4 We recommend the Public Accounts identify ministers' salaries, travel and other expenses by minister.

3-5 We recommend the Office of the Executive Council record all furniture and equipment for ministers' offices. We also recommend the Office account for the furniture and equipment when there are ministerial changes.

Section 4

Goods/services provided without charge to other Government organizations

As stated earlier, the purposes and functions of government organizations are prescribed by law. These organizations are allowed to spend money only for those authorized purposes.

Some organizations, such as the Public Service Commission and the Department of Finance, provide services without charge to other organizations as part of their legislated mandates. On the other hand, organizations such as Saskatchewan Property Management Corporation and SaskPower charge other organizations for their goods/services.

Review Results for March 31, 1990 and 1991

The following organizations reported that they provided approximately $621,767 of goods/services without charge to the Office of the Executive Council.

Approximately $311,000 was paid for a computer network for ministers' offices. The $311,000 was paid by all departments in two separate amounts of $7,800. Only two departments reported these payments to us as follows:

- Department of Community Services -- $15,600
- Department of Finance -- $7,800

Approximately $10,000 for strategic planning service (Blue Print 2000) to Nancy McLean's Corporate Strategy Group
- Saskatchewan Housing Corporation -- $5,000
- New Careers Corporation -- $5,000

Approximately $22,200 for the Premier's car and autophone
- Saskatchewan Property Management Corporation -- $22,220

Approximately $143,980 for accommodation subsidies for office space
- Saskatchewan Property Management Corporation -- $143,980

Approximately $79,151 to Dave Black and Associates to provide services as logistics coordinator for the Premier's Provincial Tours
- Saskatchewan Property Management Corporation -- $79,151

Approximately $55,436 for photographic services to the Premier's Office
- Saskatchewan Property Management Corporation -- $55,436

The following organizations reported that they provided goods/services without charge.

Department of Highways and Transportation, total of $523,350
- various consulting services to the Department of Agriculture and Food -- $6,000
- various consulting services to Buy Saskatchewan -- $6,000
- official highway maps and various consulting services to the Department of Economic Diversification and Trade -- $196,300
- engineering, stockpiling, excavation for marina at Saskatchewan Landing for the Department of Parks and Renewable Resources -- $300,000
- various consulting services for the Department of Rural Development -- $11,050
- front end loader services for the Saskatchewan Property Management Corporation -- $4,000

Saskatchewan Diversification Corporation, total of $150,165
- professional services in fields of northern economic and aboriginal development to the Northern Affairs Secretariat -- $150,165

Saskatchewan Property Management Corporation, total of approximately $446,226
- professional fees and program costs to Fair Share Saskatchewan -- approximately $437,226
- provided vehicles for ministerial use in Saskatoon for the Provincial Secretary -- approximately $6,000
- provided office equipment to the Provincial Secretary -- approximately $3,000

Saskatchewan Telecommunications, total of $13,623
- vehicle lease for a legislative secretary to the Department of Justice -- $13,623

Conclusions

We have the following concerns when Government organizations provide goods/services without charge to others, contrary to their legislated mandates.

The Estimates are inaccurate. As described earlier, the Estimates do not include the spending of all Government organizations. But, for the organizations included, the Estimates are misstated for the organization providing the goods/services without charge as well as for the organization receiving the goods/services.

If the Estimates are prepared with this knowledge and the effect is significant, the Estimates are misleading. The Legislative Assembly and the public would not have the opportunity to assess and understand the Government's fiscal plan. Significance is determined by the dollar value and the sensitivity of the inaccuracies in the Estimates.

The organizations spend money for purposes not authorized. The organizations' duties and powers are defined by statute. They can spend money only for those purposes. When organizations provide goods/services without charge to others, those expenditures are not for the purposes intended by the Legislature.

The organizations' internal control systems are violated. When organizations provide goods/services without charge to others, they do not collect the proper revenues. Accordingly, the organizations' assets are not adequately safeguarded.

The organizations' financial statements are inaccurate. The reported expenditures may not reflect the actual expenditures to conduct the organizations' business. The Legislative Assembly and the public are misled if the inaccuracies are significant. Significance is determined by the dollar value and the sensitivity of the information inaccurately reported.

The Public Accounts are inaccurate. For those organizations included in the Public Accounts, their reported expenditures do not reflect the actual expenditures on programs. The Public Accounts are misstated for the organizations providing the goods/services as well as for the organizations receiving the goods/services. The Legislative Assembly and the public are misled if the inaccuracies are significant. Significance is determined by the dollar value and the sensitivity of the information inaccurately reported.

Recommendations

4-1 We recommend organizations have clear legislated mandates to ensure they know the goods/services that may be provided to others without charge and the goods/services that must be billed.

4-2 We recommend organizations have properly authorized contracts before providing goods/services to others.

4-3 We recommend organizations charge for all significant goods/services provided to others when required by their mandates.

Section 5 Other findings

As part of the review, we requested the organizations' policies regarding:

- entertainment, including employee, officer and ministerial recognition;
- advertising, including promotions; and
- donations

to understand the context of the practices reported.

Entertainment Expenses

We found departments followed the Financial Administration Manual (FAM) as follows:

Ministers may claim for business expenses that:

- are incurred on government business;
- show the date, event and amount of the expense;
- the purpose of the event or business conducted;
- the name of the key guest; and
- if the claim for 3 months is greater than $300.00, the Premier's approval.

The FAM encourages ministers to use valuable breakfast, luncheon and dinner time to conduct government business. These claims are charged to the organizations on whose behalf they are incurred.

Deputy ministers, associate deputy ministers and others designated by Treasury Board may claim entertainment expenses that:

- are incurred on government business;
- show the date and amount of expense; and
- are supported by receipts.

Branch heads and others authorized by the minister may claim entertainment expenses that:

- are incurred on government business;
- are with persons representing the private sector or other governments;
- show the date and amount of expense;
- show the persons entertained and their business affiliation;
- state the reason for the expenditure; and
- are supported by receipts.

Generally, corporations use the same principles as departments. Employees may claim actual business expenses that are properly supported and approved. But, corporations have a wider interpretation of business expenses. For example, one corporation paid green fees and cart rentals for its minister and employees to meet during a golf game. Also, some corporations pay expenses for their employees to attend lunches or dinners to celebrate the completion of projects.

Employee, Officer and Ministerial Recognition

The Government recognizes long service department employees on their anniversaries of 10, 25, 35 years of service with the following:

Service	Gift
10 years	Pin (metal)
25 years	Pin (sterling silver) Banquet - maximum $13/plate Framed letter from the Premier Choice of one of the following: - gold watch - gold ring

35 years	Pin (10K gold) Banquet - maximum $13/plate Framed letter from the Premier Choice of one of the following: - traditional oak clock - original piece of Saskatchewan art work to value of $300

The Public Service Commission (PSC) is responsible for purchasing and forwarding the pins. PSC pays for the pins. All other expenses are the responsibility of the departments.

There is no specific policy in the FAM for other types of department employee, officer or ministerial recognition. Some departments have developed policies for officer and employee recognition. The employee recognition usually consists of a letter of congratulations from a senior official or a small award.

Generally, corporations have similar policies to recognize long service employees, but expenditure limits vary.

Some corporations also have cash and noncash rewards for event related performance. Others corporations subsidize Christmas parties and provide gifts to employees.

Advertising

All departments follow the FAM Section - Advertising and Printing Related Costs. The stated purpose for this section is "to provide controls for advertising and printing related expenditures."

The Director of Communications, Office of the Executive Council approves, in writing, all departments' advertising expenditures. This approval is required for planning advertising programs and for payments.

Corporations' advertising policies vary. Some have no policies. Other corporations have detailed policies. Generally, advertising expenses are included in the annual budgets and approved by the Boards of Directors. Some advertising programs also must be approved by the Director of Communications, Office of the Executive Council.

The Government assigns advertising agencies to all organizations. These agencies must be involved in all stages of advertising projects.

Donations

Most departments do not make donations. The FAM does not have a donation policy for departments. Some departments have donation policies. For example, agriculture's policy states that

donations will be considered based on the link to agriculture and the persons the donation will benefit.

Corporations' donation policies vary. Some have no written policy. In these cases, the Boards of Directors approve annual budgets for donations. Senior management approves donations within the authorized budgets.

Other corporations have written policies. Requests for donations must meet the requirements of the policies. In general, these policies allow corporations to make donations that relate to the corporations' businesses, raise the corporations profiles, meet good citizenship objectives and are Province wide in scope.

Conclusion

Government organizations have many different policies regarding entertainment, employee recognition, advertising and donations. We were unable to figure out the reasons for different policies for similar Government expenditures, particularly when all government organizations spend public money.

Recommendations

5-1 We recommend the Government establish consistent policies for entertainment, employee recognition, advertising and donations for all organizations.

5-2 We recommend the Government make the policies public.

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Appendix I

Motion

Moved by: Mr. H. H. Van Mulligen, MLA
Regina Victoria

That the Standing Committee on Public Accounts requests the Provincial Auditor to review:

a) the reported practice of government organizations (departments and corporations) requiring their employees to perform services solely for the benefit of other government organizations and other organizations or individuals (This review would not include arrangements commonly called "secondment". These are arrangements whereby government organizations require their employees to perform services solely for the benefit of other government organizations and the employer organization is reimbursed for the remuneration expenses related to the "seconded" employees.); and

b) the reported practice of government organizations making payments to Dome Advertising, Roberts & Poole Communications and other advertising agencies for which no specific services were provided; and

c) the reported practice of government organizations providing goods and/or services without charge to Ministers of the Crown; and

d) the reported practice of government organizations providing goods and/or services without charge to other government organizations, counter to their stated mandates; and

to report all instances where these practices are observed for the fiscal years ending March 31, 1990 and March 31, 1991 and whether, in his opinion:

a) an officer or employee of the government has wilfully or negligently omitted to collect or receive money belonging to the Crown;

b) public money was applied to a purpose or in a manner not authorized by the Legislature;

c) an expenditure was made for which there was no authority or which was not properly vouchered or certified; or

d) the rules and procedures applied were not sufficient:

   i) to safeguard and control public money;

   ii) to effectively check the assessment, collection and proper allocation of public money; or

   iii) to ensure expenditures were made only as authorized

and any other comments which may be relevant in these matters.

Regina, January 10, 1992.

Appendix I

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Appendix II

Government Organizations Contacted

Agricultural Implements Board
Agriculture Credit Corporation of Saskatchewan
Agriculture Development Corporation of Saskatchewan
Agriculture Development Fund Corporation
Battlefords Regional Care Centre
Board of Governors - Lakeside Home
Carlton Trail Regional College
Community Services Housing Division
Crown Investments Corporation and Subsidiaries
Cumberland Regional College
Cypress Hills Regional College
Department of Agriculture and Food
Department of Community Services
Department of Economic Diversification and Trade
Department of Education
Department of Energy and Mines
Department of Environment and Public Safety
Department of Executive Council
Department of Family Foundation
Department of Finance
Department of Health
Department of Highways and Transportation
Department of Human Resources, Labour and Employment
Department of Justice
Department of Parks and Renewable Resources
Department of Provincial Secretary
Department of Rural Development
Department of Social Services
Future Corporation
Highway Traffic Board
Indian and Metis Affairs Secretariat
Investment Corporation of Saskatchewan and Subsidiaries
La Ronge Hospital Board
Law Reform Commission of Saskatchewan
Market Development Fund
Milk Control Board
Municipal Employees Superannuation Commission
Municipal Financing Corporation of Saskatchewan
Municipal Potash Tax Sharing Administration Board
New Careers Corporation
Northern Affairs Secretariat
Northlands Career College
NorthWest Regional College
Palliser Regional Care Centre
Parkland Regional Care Centre
Parkland Regional College
Parkridge Centre
Potash Corporation of Saskatchewan (CIC Mineral Interests Corporation)

Prairie Agricultural Machinery Institute
Prairie West Regional College
Public Employees Benefits Agency
Public Service Commission
Regina General Hospital
Royal University Hospital
Saskatchewan Alcohol and Drug Abuse Commission
Saskatchewan Archives Board
Saskatchewan Arts Board
Saskatchewan Assessment Management Agency
Saskatchewan Canola Development Commission
Saskatchewan Centre of the Arts
Saskatchewan Communications Network Corporation
Saskatchewan Crop Insurance Corporation
Saskatchewan Development Fund Corporation
Saskatchewan Economic Development Corporation and Subsidiaries
Saskatchewan Energy Holdings Ltd. and Subsidiaries
Saskatchewan Forest Products Corporation and Subsidiaries
Saskatchewan Gaming Commission
Saskatchewan Government Insurance and Subsidiaries
Saskatchewan Government Printing Company
Saskatchewan Grain Car Corporation
Saskatchewan Health Research Board
Saskatchewan Heritage Foundation
Saskatchewan Horse Racing Commission
Saskatchewan Human Rights Commission
Saskatchewan Indian Institute of Technologies
Saskatchewan Institute of Applied Science and Technology
Saskatchewan Legal Aid Commission
Saskatchewan Liquor Board & Liquor Licensing Commission
Saskatchewan Municipal Board
Saskatchewan Pension Plan
Saskatchewan Power Corporation and Subsidiaries
Saskatchewan Property Management Corporation
Saskatchewan Research Council
Saskatchewan Student Aid Fund
Saskatchewan Telecommunications and Subsidiaries
Saskatchewan Transportation Company and Subsidiaries
Saskatchewan Vegetable Marketing and Development Board
Saskatchewan Water Corporation and Subsidiaries
Saskatchewan Wetland Conservation Corporation
Saskatoon Health Board
Seniors' Secretariat
Souris Basin Development Authority
Souris Valley Regional Care Centre
South Saskatchewan Hospital Centre
South Saskatchewan River Irrigation District #1
SouthEast Regional College
SPI Marketing Group
St. Louis Alcoholism Rehabilitation Centre
Teachers' Superannuation Commission
Tripartite Beef Administration Board
Wascana Rehabilitation Centre

Appendix II

Water Appeal Board
Westbridge Computer Corporation (ISM)
Western Development Museums
Whitespruce Youth Treatment Centre
Women's Secretariat
Workers' Compensation Board

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Appendix III

Review Information Requested

January 27, 1992

(Name)
(Address)

Dear *(Name)*:

The Standing Committee on Public Accounts on January 10, 1992, requested my Office undertake a review of certain reported practices. This review is to include the fiscal years ended March 31, 1990 and March 31, 1991 (December 31, 1989 and December 31, 1990).

Please provide information in the prescribed format (Schedule 1), by February 14, 1992, about:

a) whether your organization required its employees to perform services solely for the benefit of others and your organization was not reimbursed for their remuneration expenses; and

b) whether your organization made payments to Dome Advertising, Roberts & Poole Communications and other advertising agencies for which your organization received no specific services; and

c) whether your organization provided goods and/or services without charge to Ministers of the Crown; and

d) whether your organization provided goods and/or services without charge to other government organizations.

Also, please include your organization's policies for the following:

a) entertainment, including employee, officer and Ministerial recognition; and

b) advertising, including promotions; and

c) donations.

My officials may be attending your office to audit and discuss these matters. Therefore, please indicate the name of the person we should contact.

.../2

Thank you for your co-operation. If you have any concerns or questions please call Brian Atkinson, Executive Director at 787-6384 or myself at 787-6360.

Yours truly,

Wayne K. Strelioff, C.A.
Provincial Auditor

/djc
Attachments

Schedule 1

Please report the information in the following form: If none, please state NONE.

A. Employees required to perform services for others and your organization was not reimbursed for their remuneration expenses.

Example: An employee is "loaned" for a period of time to Executive Council and your organization is not reimbursed.

1) Name of Employee:

2) Position held by employee:

3) Organization(s) and/or individual(s) receiving services:

4) Period(s) these services were provided:

5) Description of services provided: (if known)

6) Amount of remuneration paid to your employee during the period the employee was required to provide services solely for the benefit of others:

B. Payments to Dome Advertising, Roberts & Poole Communications and other advertising agencies for which your organization received no specific services.

Example 1: Your organization pays a bill for its "share" of advertising costs incurred on its behalf by another agency. No specific services were provided to your organization.

Example 2: Your organization pays a bill from an advertising agency for administration fees because of another organization's arrangement with the advertising agency. No specific services were provided to your organization.

1) Payment made to:

2) Amount of payment:

3) Date of payment:

4) Services for which the payment was intended to be used for:

C. Your organization provided goods and/or services without charge to Ministers of the Crown.

1) The name of the Minister:

2) A description of goods and/or services provided:

3) Dates on which goods and/or services were provided:

4) Value of goods and/or services provided:

Schedule 1

D. Your organization provided goods and/or services without charge to other government organizations.

1) Name of the government organization:

2) Description of goods and/or services provided:

3) Dates on which goods and/or services were provided:

4) Value of goods and/or services provided: